

## Message Text

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ACTION EB-08

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E.O. 11652: N/A

TAGS: ENRG, ETRD,CA

SUBJECT: ONTARIO HYDRO MIXING US AND WESTERN CANADAIN COAL

REF: (A) 76 TORONTO A-17; (B) 76 TORONTO A-18

1. E.G. BAZELEY, SENIOR RESOURCES ENGINEER OF ONTARIO HYDRO, TOLD THE ANNUAL MEETING OF THE CANADIAN INSTITUTE OF MINING AND METALLURGY IN OTTAWA THIS WEEK THAT, DUE TO THE HIGHER TRANSPORTATION AND HANDLING COSTS, THE PROVINCIALLY-OWNED ELECTRIC GENERATING UTILITY WAS BUYING WESTERN CANADIAN BITUMINOUS COAL AT ABOUT DOLS 41 A TON, COMPARED TO THE AVERAGE OF DOLS 32 A TON FOR US BITUMINOUS, DOLS 1.85 PER ONE MILLION BTU IN WESTERN CANADIAN COAL VERSUS DOLS 1.25 PER ONE MILLION BUT IN THE US COAL.

2. BAZELEY CONTINUED THAT PLANS CALL FOR AN INITIAL FOUR MILLION TONS OF WESTERN CANADIAN COAL - 2.7 MILLION TONS OF BITUMINOUS FROM BRITISH COLUMBIA AND ALBERTA AND ABOUT ONE MILLION TONS OF LIGNITE FROM SASKATCHEWAN, IN 1979, HE SAID, HYDRO PLANS 2.5 MILLION TONS OF WESTERN COAL AND 11 MILLION TONS OF US COAL; BY 1985 THIS WOULD RISE TO 5 MILLION TONS OF WESTERN COAL AND 1.4 MILLION TONS OF LIGNITE WITH 12 MILLION TONS OF COAL  
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FROM US SOURCES. PRESS REPOR ON

BAZELEY SPEECH STATED "PEAK YEARS FOR US COAL DELIVERIES ARE 1981-82 WITH 13 MILLION TONS, COMPARED WITH 3 MILLION TONS OF WESTERN COAL."

3. IN PRESENTATION BAZELEY NOTED A) HAULAGE DISTANCE FOR WESTERN COAL OF 2.200 MILES COMPARED WITH 450 MILES FOR US SUPPLIES, B)

WESTERN COAL PROJECT INVOLVES DOLS 350 PLUS INVESTMENT BY PARTICIPATING COMPANIES, C) THUNDER BAY, ONTARIO, RAIL-SHIP TRANSFER FACILITIES, WHICH SHOULD BE IN OPERATION IN 1979 SHIPPING SEASON, HAVE MAXIMUM DESIGN CAPACITY OF 6 MILLION TONS A YEAR.

4. COMMENT:THE CONGEN REQUESTED A COPY OF THE BAZELEY PRESENTATION FOR ONTARIO HYDRO. THIS RESULTED IN A CALL FROM A VERY RELIABLE CONTACT IN THE FIRM TO EXPLAIN THAT THE PRESS COVERAGE OF THIS TECHNICAL PAPER IN THE GENERAL BUSINESS PRESS (E.G. TORONTO "GLOBE AND MAIL" REPORT ON BUSINESS HEADLINE "ONTARIO HYDRO CITES LOWER COSTS OF U.S. COAL") HAD UPSET HYDRO TOP MANAGEMENT AND THAT INSTRUCTIONS WERE TO NOT ONLY NOT RELEASE ANY MORE SPEECH COPIES BUT TO RECALL COPIES ALREADY DISTRIBUTED. HYDRO HAS NO OBJECTION TO THE FIGURES QUOTED ON TO THE BASICS OF THE PRESENTATION. THE DISTORTION IN THE EYES OF THE GENERAL PUBLIC IS THE PROBLEM TO HYDRO.

5. ACCORDING TO OUR SOURCE, THE DISTORTIONS ARE:

A) COVERAGE DOES NOT EXPLAIN RATIONALE FOR USE OF HIGHER COST CANADIAN COAL 1) TO BLEND BECAUSE OF LOW SULPHUR CONTENT (0.3-0.5) WITH US COAL (2 - 2.5) TO REACH ACCEPTABLE LIMIT (1.5 - 2 II) TO DEVELOP DIVERSITY OF SOURCING.

B) STATEMENT THAT US SOURCING WILL PEAK IN 1981-82 IN ERROR. HYDRO PLANNING SHOWS US SUPPLY RUNNING STEADY THEREAFTER.

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6. THE CONTACT EMPHASIZED THAT HYDRO HAS NO INTENTION OF DEVELOPING AN UNECONOMICAL COAL SOURCE BEYOND THE EXTENT IT NEEDS IT FOR BLENDING. HE POINTED OUT THAT CHANGES IN THE ECONOMICS OR SECURITY OF SUPPLY OR IN BLENDING RATIOS COULD ALTER THE COMPARATIVE VOLUMES.

7. HE TOLD CONGEN THAT FOLLOWING NEWSPAPER ARTICLE, HYDRO CALLED BY NOVA SCOTIA GOVERNMENT OFFERING 800,000 TONS AT DOLS 37.50 FOB SYDNEY. EVEN THOUGH HYDRO USUALLY ALLOWS 10 PERCENT DISADVANTAGE TO DOMESTIC SOURCES, HE SAID NOVA SCOTIA COAL A) NOT LOW SULPHUR, B) NOT A NEW SOURCE TO BE DEVELOPED AND C) QUESTIONABLE IN THAT PROVINCIAL GOVERNMENT CLAIMS MUCH GREATER AVAILABILITY THAN COAL COMPANIES THERE. HYDRO WILL PROBABLY PLACE TOKEN ORDER IN INTERESTS OF NATIONALISM. DIGGINS

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## Message Attributes

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